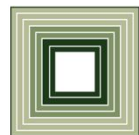


# State Debt

**House Select Committee on Legacy Costs from the State Health  
Plan, Pensions and ESC**

**December 13, 2011**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Types of State Debt

- General Obligation Debt:
  - Secured by the faith and credit of the State
  - Requires the approval of the majority of the Voters
- Two Thirds/Legislative Bonds
  - Secured by the faith and credit of the State
  - Voter approval is not necessary
  - Limited to the amount of indebtedness reduced during previous biennium

# Types of Debt: Continued

- Revenue Bonds:
  - Backed by revenues generally tied to the project being financed
- Special Obligation Bonds:
  - Backed by various agency revenues
  - Limited to the University of North Carolina System

# Types of Debt: Continued

- Special Indebtedness (COPS)
  - Backed by pledge of appropriation
  - Item being financed may be pledged as security
  - Statutory framework enacted in 2003

# Debt Management

- Debt Affordability Advisory Committee
  - Created in 2004
  - Advise the State regarding prudent debt levels
  - Chaired by the State Treasurer
  - Other Committee Members include: State Auditor, Sec. of Revenue, State Budget Officer, State Controller, Two Senate Appointees, Two House Appointees

# Debt Management Continued:

- 2011 DAAC Recommendations:
  - Structural budget balance
  - Net Tax-Supported Debt should be targeted at no more than 4.0% of General Tax Revenues and should not exceed 4.75%.
  - General obligation debt should be the preferred method of debt financing
  - Centralized debt authorization authority
  - Other liabilities

# Debt Management: Continued

- Credit Rating:
  - Aaa (Moody's), AAA (S&P), AAA (Fitch)
- Payout Ratio:
  - Ten year pay out ratio of 59% at June 30, 2010
- Limited Variable Rate Debt:
  - \$355 million
- Debt Level:
  - Moderate (Moody's)



# Outstanding Debt

- General Obligation Bonds:
  - \$4.8 Billion
- Special Indebtedness:
  - \$2.1 Billion
- GAP Funding
  - Highway fund support of NC Turnpike projects
  - \$64 million in FY 2011-12
  - \$81.5 million in FY 2012-13

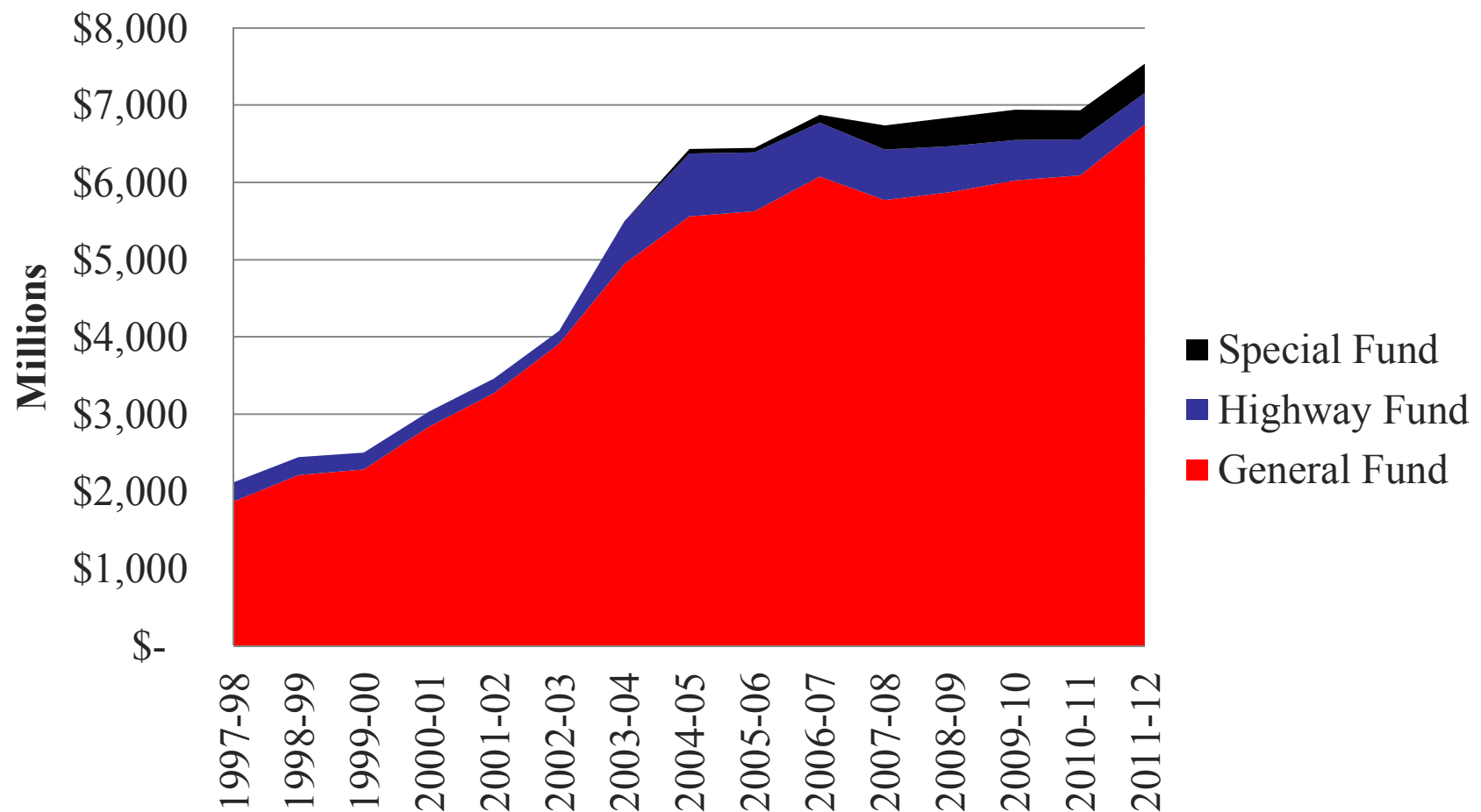




# Special Indebtedness

Project	Amount (Billions)	Percentage
Corrections	\$0.8	22%
Psychiatric Hospitals	\$0.4	11%
University	\$1.6	42%
Parks and Land	\$0.2	5%
Repair and Renovation	\$0.4	9%
Other	\$0.4	11%
<b>Total</b>	<b>\$3.8</b>	<b>100%</b>

# Outstanding Debt History

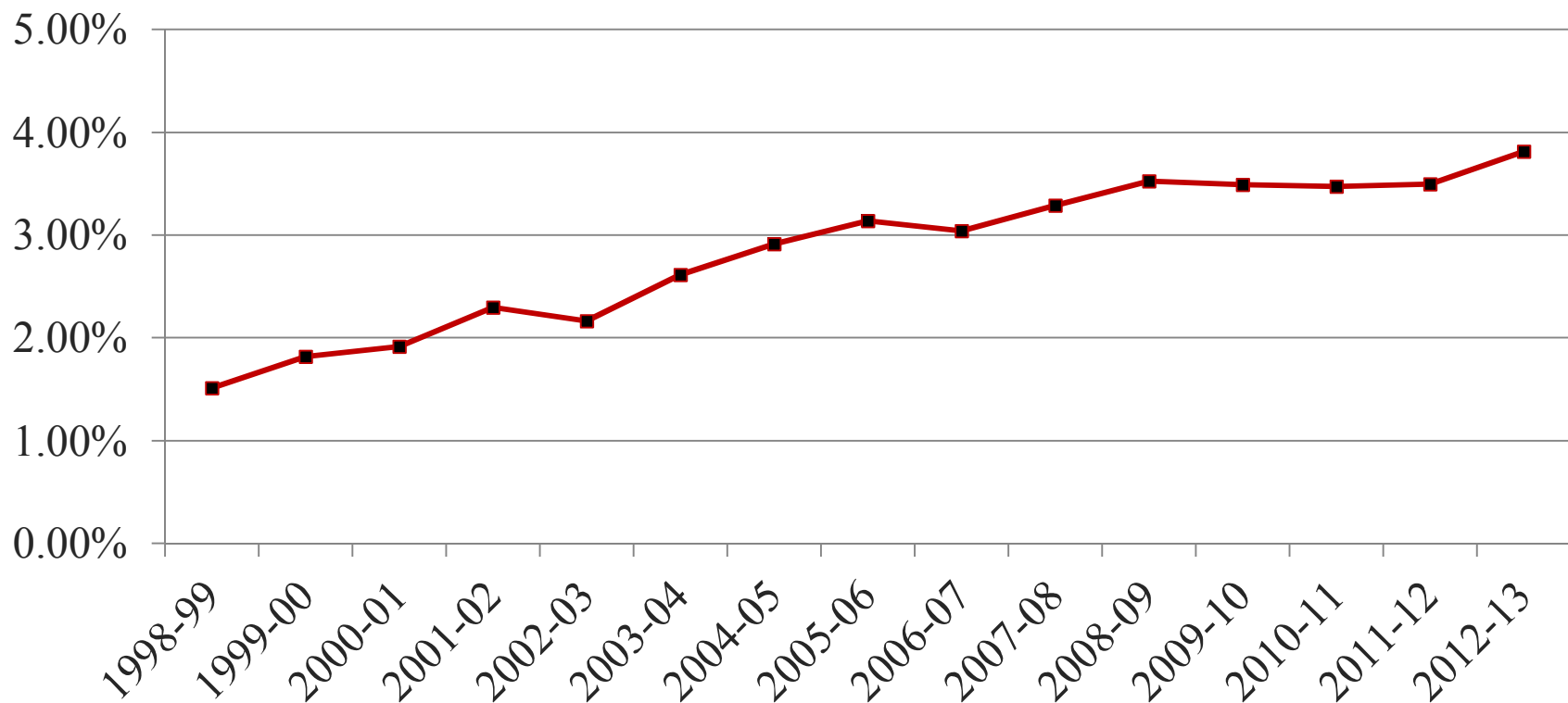


# Debt Service

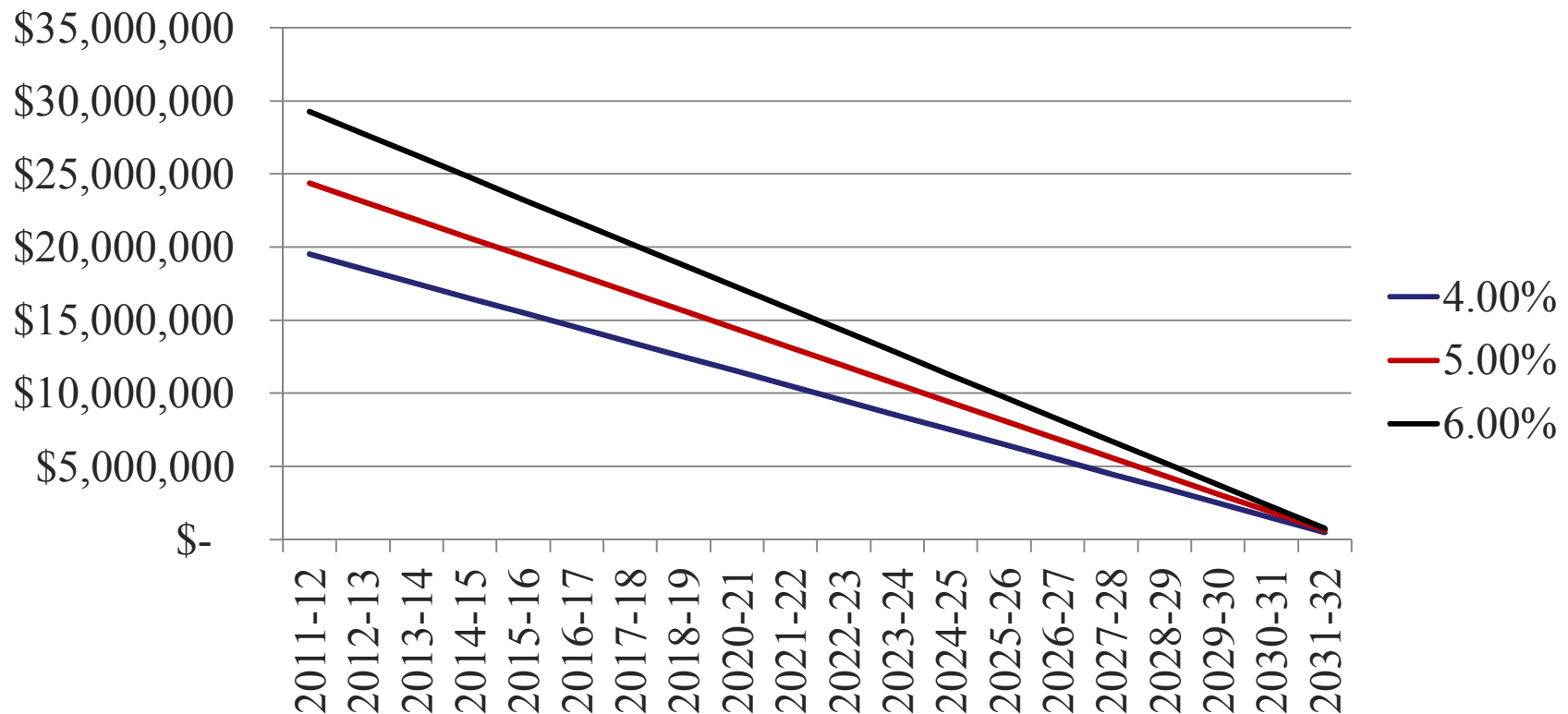
- General Fund Debt Service for the Current Biennium:
  - FY 2011-12: \$688,957,188 (3.5%)
  - FY 2012-13: \$759,984,974 (3.8%)
- General Obligation vs. Special Indebtedness (Estimates):
  - FY 2011-12: 72% GO vs. 28% Non-GO
  - FY 2012-13: 65% GO vs. 35% Non-GO

# Debt Service History

## Debt Service as a Percentage of General Fund Revenues



# Interest Rate Change Impact



\$500 million bond issue; fixed principal, semi annual repayment

# Recent Actions:

- S.L. 2011-66 (Debt Reduction Act of 2011) canceled \$232.4 million in debt.
- H.B. 491 (Repeal Capital Facilities Finance Act): Passed House

# Deficiencies in State Buildings

- Facilities and Condition Assessment Program:
  - \$2.3 billion in deficiencies in General Fund supported state agency buildings
  - \$2.1 billion in deficiencies in General Fund supported university buildings



# Questions

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